



Suspicious Transaction Report Trends and Quality Improvement

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Agenda

- Importance of Reporting Institutions
- Typologies
- Statistic of Suspicious Transaction Reports
- Quality Suspicious Transaction Reporting
- Conclusion



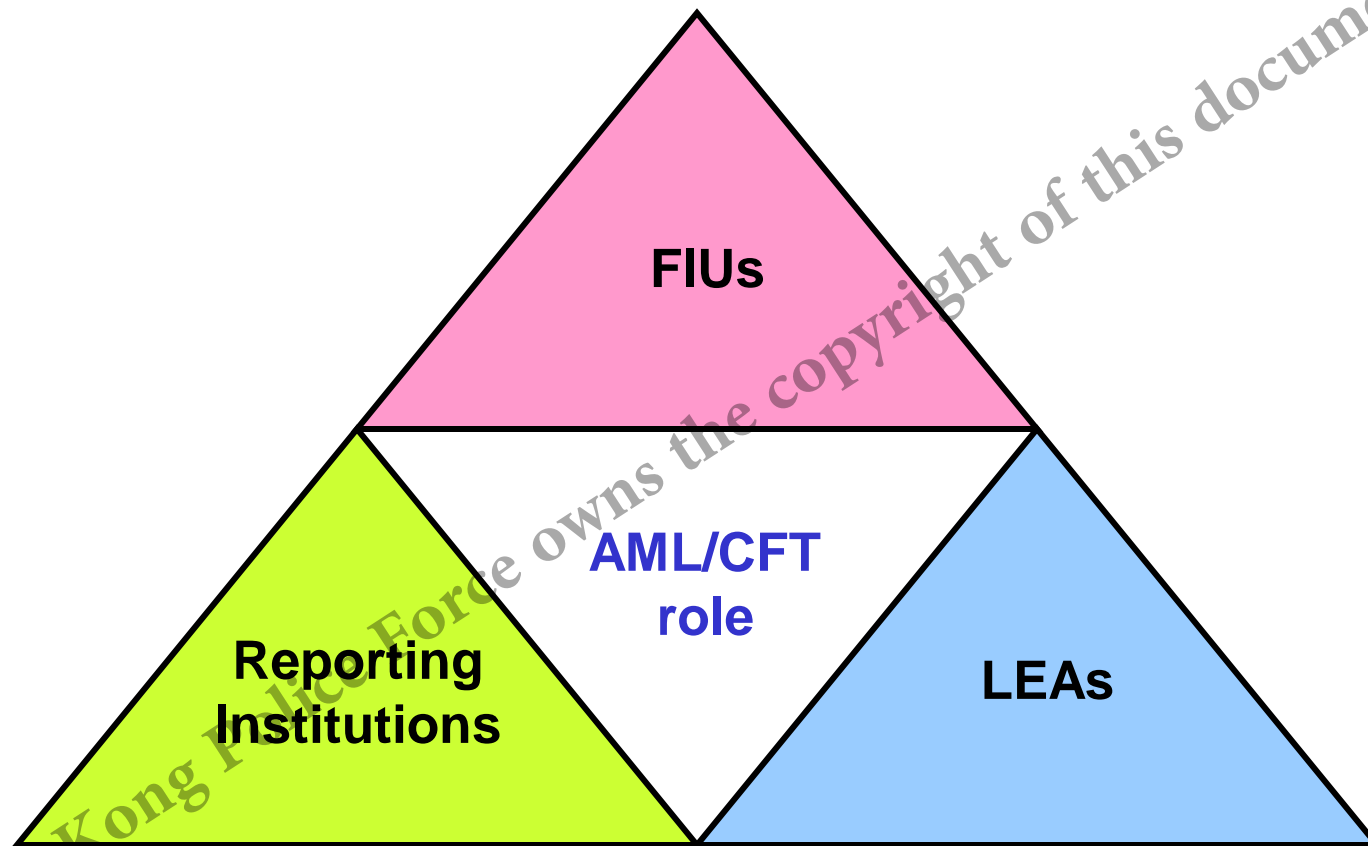
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Importance of Reporting Institution



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Different Players and Roles

Reporting Institutions

- Customer identification
- Record keeping
- Internal systems and controls
- Suspicious transactions

FIUs

- Handling STR
- Dissemination
- Information exchange
- Feedback
- Outreach program

LEAs

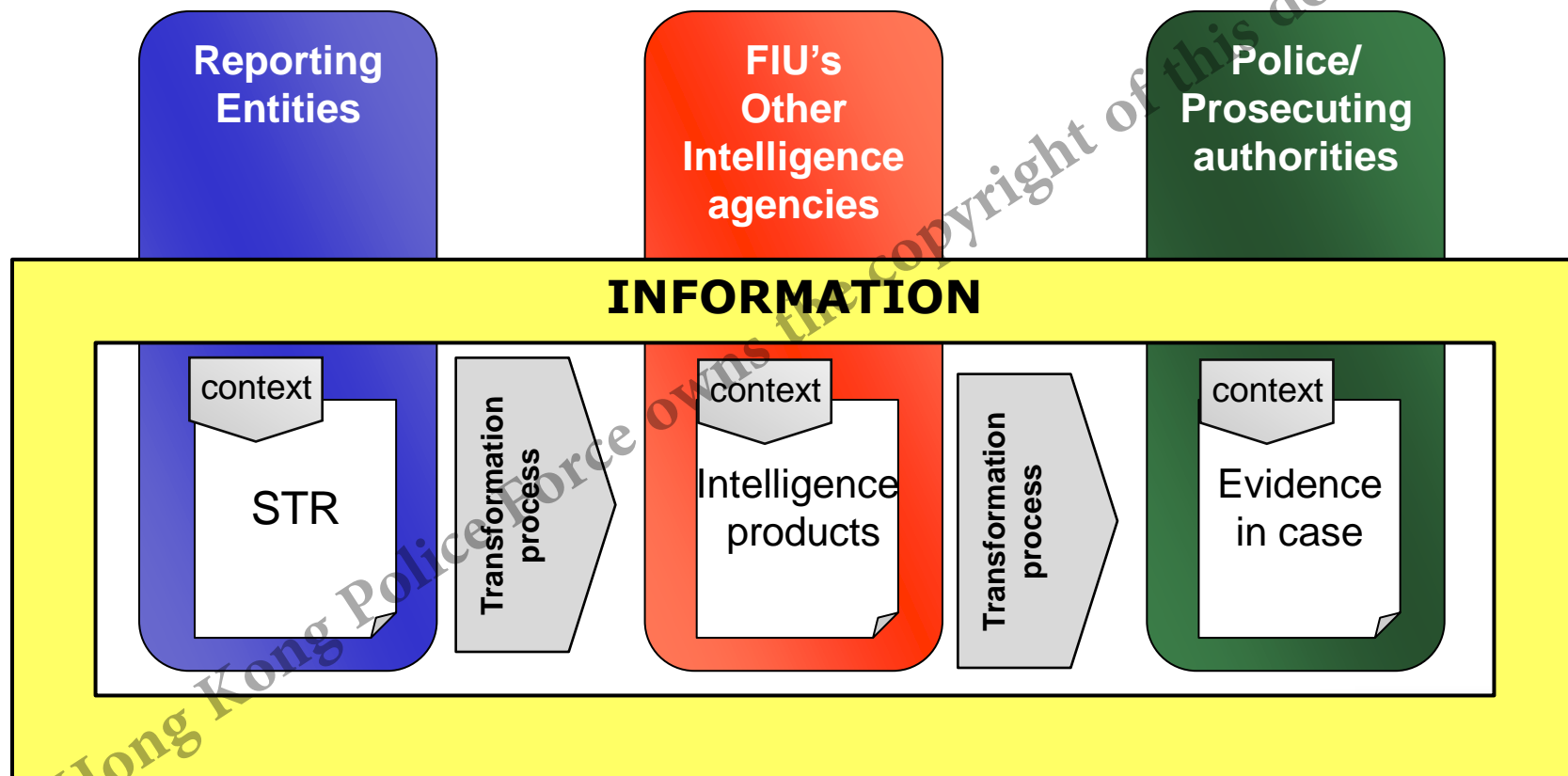
- ML investigation
- Asset tracing
- Asset recovery
- Information exchange
- MLA



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Information Flow



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Typologies

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Typologies

- A series of ML or TF arrangements which are conducted in similar manner or using the same methods.
- In general term, the study of methods, techniques and trends used by money launderer and terrorist financier.



Typologies

To help the reporting institutions in understanding the trend and identifying the vulnerable areas used by the Money Launderer and Terrorist Financier



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Typologies



Corporate Vehicle

- easy to set up
- beneficial ownership
- shell company



Use of TCSP

- non-resident holding several companies
- registered / corresponding address
- secretarial services



Bank Account

- opened company accounts with different banks
- 3rd party as authorized signatories

Typologies



Trade-based Transaction

- over & under invoicing
- counter balance
- multiple business



Money Transfer

- e-Banking
- via Money Services Operator
- multiple transfers between accounts



Other issues

- unlicensed Money Services Operator
- front man
- theft of identity

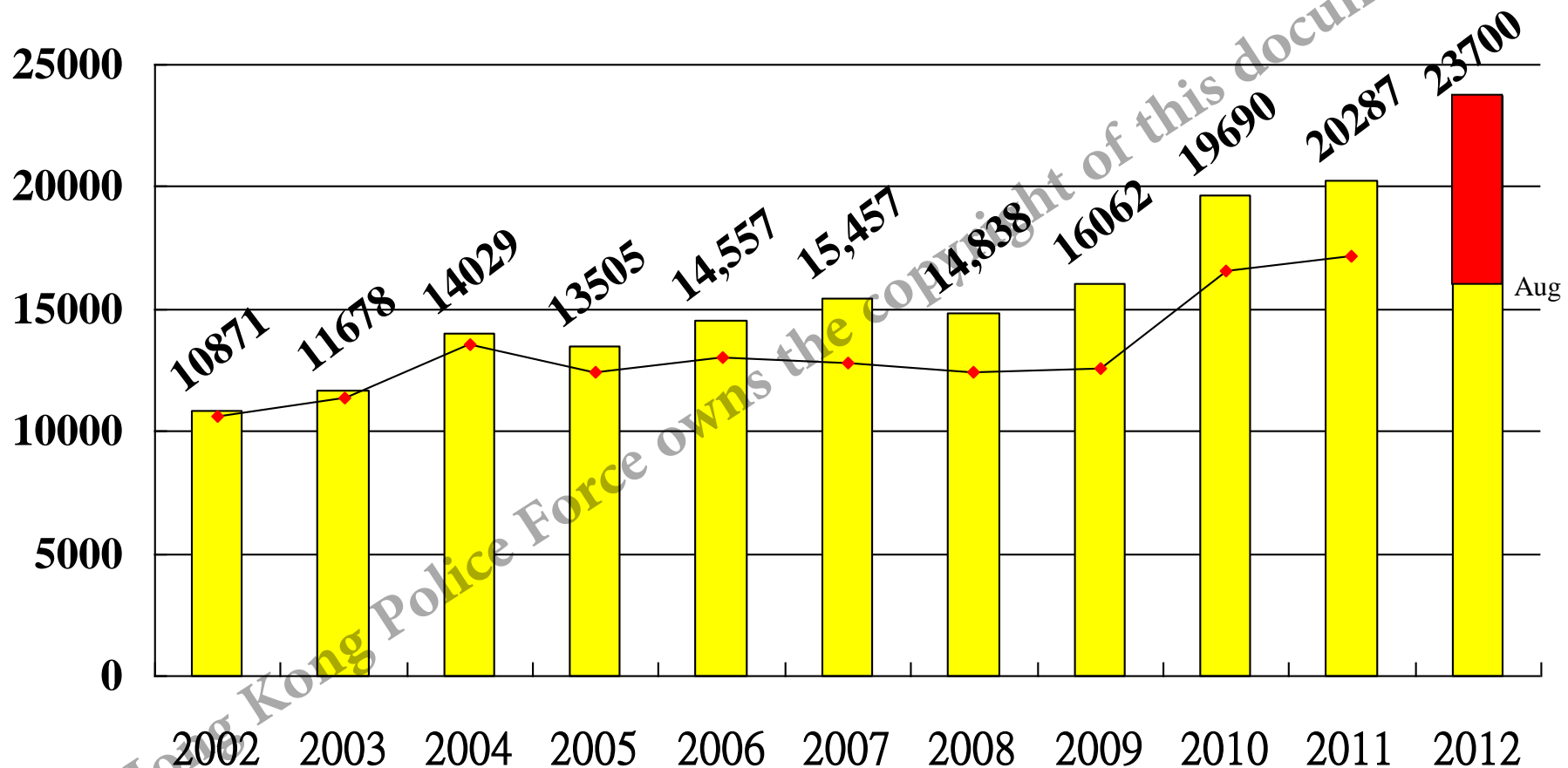
Typologies

Indicators

- Multiple inward remittances from different senders
- Multiple outward remittances to overseas accounts
- Temporary repository of fund
- Destination of transfer not commensurate with customer profile
- Payment of “consultancy fees” or “loan”
- Accounts only operated for a few months



STR received in the past 10 years



- Represents no. of STR made by Banks

 Estimated no. of STR received in 2012

Quality Reporting

Sufficient
information?

Suspicion
identified?

CDD and KYC
process?

Precise and
Concise?

Evaluation?



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Quality Reporting

Sufficient Information

- Client / BO information
 - company details
 - ID information
- Transaction information
 - fund flow
 - counterparties information



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Quality Reporting

Suspicion identified



- Background of customer/BO
- Quote source of suspicion
- Transaction patterns
- Avoid incoherent information



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Quality Reporting

KYC and CDD Process

- Update Personal and Company information
- Enquire customers for suspicious transactions
- On-going transaction monitoring



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Quality Reporting

Precise and Concise

- Estimated STRs received this year $\leq 24,000$
- Quality reporting is essential
- Precise and concise without redundant and duplicated information



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Quality Reporting

Evaluation

- Not every STR is to be reported if risk can be mitigated
- Detailed the conclusion reached on the necessity of STR reporting
- Report STR once suspicion arose



Conclusion

“Compliance is not a ‘check-the-box’ exercise, but rather requires financial institutions to exercise their judgement, as informed by our guidance and assistance.”



Bill Fox, ex-FinCEN Director



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Thank You



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